

DEPARTMENT OF STATE REVENUE
LETTER OF FINDINGS NUMBER 95-0210 ST
Sales & Use Tax
For Tax Years 1991-1993

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ISSUE

1. **Sales and Use Tax – Solvents**

Authority:

The taxpayer protested the assessment of sales /use tax on chemicals.

STATEMENT OF FACTS

The taxpayer is a manufacturer of metallic containers. A portion of the operations includes lithographing and coating these containers. More facts will be presented as necessary.

DISCUSSION

1. **Sales/Use Tax – Imposition**

The taxpayer requested a rehearing on the taxability of the following solvents:

1. Isopropyl alcohol
2. Hi-Sol 15 or 150 Solvent
3. Acetone/Toluene Blend
4. Mineral Spirits
5. MEKQC
6. Hydrite, Various Acetate, MICK/Xyol Blend, Naptha

The taxpayer alleges that isopropyl alcohol is used during production and that Hydrite, various acetates, MICK/Xyol blend and naptha are used both during and after production. The taxpayer stated that the remaining listed solvents are used post production.

The use of the chemicals as explained in the request for rehearing is significantly different from the explanations received in the hearing. The taxpayer alleges that isopropyl alcohol is applied constantly to the rollers and belts during the production process. The taxpayer alleges that Hydrite, various acetate, MIBK/Xyol blend, and naptha are used both during and after the production process. The taxpayer alleged that these solvents are applied to the lower rollers during the production process and that eighty per cent of these solvents were used to keep the bottom rollers and the backs of the metal sheets clean during production. The taxpayer alleges that the remaining twenty percent is used post production. The taxpayer alleges that HI-Sol 15 or 150 solvent, acetone/toluene blend, and mineral spirits are used post production.

FINDINGS

The taxpayer's protest is sustained to the extent that the solvents alleged to be used during production are in fact used during production and in percentages to be determined by audit. To the extent the solvents are used post production for cleaning and maintenance, the solvents are taxable and the taxpayer's protest is denied.